

CITY OF BELLEVUE  
CITY COUNCIL

Summary Minutes of Study Session

December 6, 2004  
6:00 p.m.

Council Conference Room  
Bellevue, Washington

PRESENT: Mayor Marshall, Deputy Mayor Noble, and Councilmembers Balducci, Chelminiak<sup>1</sup>, Davidson, and Degginger

ABSENT: Councilmember Lee

1. Executive Session

Deputy Mayor Noble opened the meeting at 6:00 p.m. and announced recess to Executive Session for approximately 45 minutes to discuss two items of potential litigation and one item of pending litigation.

The meeting resumed at 6:35 p.m. with Mayor Marshall presiding. A fourth item relating to property disposition was added during the Executive Session.

2. Study Session

(a) Policy on Economic Development Incentives

City Manager Steve Sarkozy opened discussion regarding enhancement of the City's economic development strategy. Matt Terry, Planning and Community Development Director, reviewed the major policy questions to be addressed with Council:

- What is Bellevue's overall economic development strategy, including the roles and responsibilities of the City and its partners?
- What are the City's economic development priorities, including the most important use of the \$200,000 in the City budget?
- Should the City develop an expanded "toolkit" of incentives and investments to support economic development projects?

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<sup>1</sup> Councilmember Chelminiak arrived at 7:00 p.m.

Kevin O'Neill, Strategic Planning Manager, said Bellevue's population increased from 61,196 residents in 1970 to 109,827 in 2000. Employment growth reflects an increase from 21,000 jobs in 1970 to 120,000 jobs in 2000. Bellevue's job growth from 1995 to 2002 exceeded average growth rates in Seattle, King County, and the Puget Sound region, despite a decrease in jobs from 2001 to 2002. Mr. O'Neill noted the office vacancy rate in Bellevue peaked in 2002 at approximately 28 percent but was back below 15 percent by the third quarter of 2004. Bellevue has a higher percentage of workers in management and professional jobs (53 percent) than Seattle (48 percent) or the King County average (43 percent). Incomes of Bellevue residents and their Eastside neighbors tend to be higher than incomes in King County and much higher than the national average.

Mr. Terry summarized reasons for Bellevue's economic success including competitive tax rates, strategic infrastructure investments to support growth, sound planning and regulatory process, well-established business organizations, a central location with access to the regional transportation system, and an educated population.

Dan Stroh, Planning Director, described six major components of an economic development policy framework or strategy. The first, economic climate, includes maintaining competitive tax policies, maintaining a timely and customer-focused permit process, supporting educational initiatives for a well-trained work force, and small business assistance through Bellevue Entrepreneur Center. The community livability and economic growth component encompasses early implementation of the Downtown Implementation Plan, Cultural Compass initiatives, and neighborhood vitality investments. The planning and infrastructure category refers to capital investments to support growth, regional investments to support the downtown urban center, the Eastgate planning study, Bel-Red corridor study, and high-capacity transit planning.

The component for maintaining and revitalizing commercial areas includes shopping center redevelopments, auto row, a regulatory incentive strategy for the downtown, and the Crossroads initiative. The fifth category is business marketing, recruitment, and retention encompassing the Business Economic Partnership, Enterprise Seattle (formerly EDC), visitor marketing, the new economic development web browser, and direct support for business recruitment. The City development strategies component refers to an economic development policy incorporating incentives and direct investments, with the opportunity to leverage private sector investments.

Mr. Stroh said economic development occurs in partnership among multiple entities including the City, Bellevue Chamber of Commerce, Bellevue Downtown Association, the Port of Seattle, Bellevue Community College, and others. Staff recommends involving these partners in enhancing the overall economic development strategy and clarifying roles and responsibilities. Staff will return to Council during the first quarter of 2005 to discuss the feedback from these economic development partners.

Mr. Degginger suggested the approach sounds more complicated than it needs to be. He posed the following questions: 1) What is the City doing now to promote economic development? 2) What is the City not doing? and 3) What could the City do better? He would like to see a simplified, more targeted approach. Mr. Degginger commented that everyone, including neighborhood interests, are stakeholders in economic development.

Dr. Davidson encouraged including representatives of commercial areas outside of the downtown, as well as businesses focused on attracting and serving visitors, in the process. He is hesitant for government to become too involved in economic development and feels the free enterprise system does a good job by itself.

Ms. Balducci concurred with Mr. Degginger's comments regarding simplifying the strategy and focusing on the primary goals, namely livability. She noted a web site for a city in Arizona that clearly and simply communicates its interrelated livability and economic development objectives.

Mayor Marshall feels the void left by the closure of the East King County Convention and Visitors Bureau needs to be discussed. Meydenbauer Convention Center assumed responsibility for some of the Bureau's former activities and should be involved in economic development discussions. Mrs. Marshall would like to consider zoning approaches that will help attract and retain neighborhood businesses. She advocates a review of potential opportunities for the City's involvement and an evaluation to determine which of these represent the best use of City time and resources.

Continuing with the presentation, Mr. Terry recalled discussions last summer with the Port of Seattle regarding the expansion of Meydenbauer Center. During the August 2 City Council Regular Session, Council asked staff to develop a policy to guide the City's investment in activities like the convention center expansion. Staff posed the following question at that time: What circumstances, if any, would warrant public investment, and what would be the appropriate criteria by which to evaluate potential risks and benefits?

Mr. Terry said the remaining portion of the presentation will cover staff's proposed policy and set of criteria for evaluating future investments. As an example of a past economic development initiative, he said the convention center was originally developed with the specific objective of attracting visitors to Bellevue. The City also invested in construction of the new Bellevue Art Museum in part as an economic development strategy. Mr. Terry described the potential for investing in private development projects that support public or quasi-public facilities. An example would be using public parking investments to encourage desired development in the downtown.

As a proposed policy framework, Mr. O'Neill said the City could consider the direct investment of tax revenue, land, infrastructure investments, or other financial assets to provide incentives for a development project when the benefiting project enables the development, preservation or expansion of a public or quasi-public facility and when the proposed project is reviewed against specific principles and criteria. He reviewed the following draft policy principles:

- The City will consider participation only if a project would not occur without City investment and the level of the City's investment is the minimum necessary to accomplish the project.
- Public benefits must significantly exceed public costs.
- Any City investment will result in City ownership of an asset in which it invests.

- City risks must be minimized to the greatest extent possible.
- To ensure a level playing field, the City will consider investing in a project only if opportunities for participation are available to all parties who can meet the City's objectives.

Mr. O'Neill requested Council's feedback on the draft policy framework.

Dr. Davidson reiterated his reluctance regarding government's involvement in economic development and potential interference in the competitive marketplace. He is willing, however, to discuss the issue further.

Mr. Degginger emphasized the need for additional analysis before considering City investments. Mr. Terry acknowledged the City's constrained resources and the need to evaluate competing opportunities.

Mr. Chelminiak is open to further discussion and analysis. He noted a downtown circulator, which Council has been interested in for a few years now, as a possible economic development investment.

Deputy Mayor Noble encouraged a strategy that is flexible enough to respond to potential beneficial opportunities even if they might not strictly adhere to established criteria or financial guidelines.

Mayor Marshall encouraged research into what other cities have done in the area of economic development, and what types of initiatives have succeeded or failed. She would like more information on the Spokane garage project that did not move forward.

### 3. Items from Regular Session Agenda

#### (a) City Manager's Report [Regular Session Agenda Item 5]

City Manager Steve Sarkozy asked staff to provide an update regarding comments to Council on November 8 by Scott Weaver.

Carol Helland, Land Use Director, recalled that Mr. Weaver expressed concern about tree cutting on Cougar Mountain by Mr. Hanssen and requested information on active permits in the area. Ms. Helland noted the map on page 5-5 of the Council packet, in which the solid portions represent properties with active permits. Page 5-6 lists the permit numbers, property addresses, and brief descriptions. Staff has assured Mr. Weaver that development on Mr. Hanssen's property is being treated by the City in the same way as every other application that was vested in the same time period. Staff recently provided Mr. Hanssen with information on the City's tree cutting regulations.

Ms. Helland responded to Councilmembers' questions.

Jan Hawn, Finance Director, described a recent forum held with Bellevue Chamber of Commerce entitled "How to do Business with the City." The event was well attended by more than 50 participants. The session focused on the City's contracting policies and procedures and previewed the Small Works Roster and vendor registration process to be offered online after the first of the year. Feedback from the forum has been very positive.

Mr. Sarkozy recalled testimony to Council on November 22 by Leslie Schofield regarding a \$10,000 water utility bill. Brad Miyake, Utilities Director, explained that when Ms. Schofield's meter was read on February 4, her monthly water usage was well within historical consumption levels for this account. Staff disagrees with Ms. Schofield's request for payment at wholesale rates but concurs with the requested adjustment in sewer rates.

(b) Council Business [Regular Session Agenda Item 6]

Dr. Davidson attended a meeting regarding King County wastewater operations and the Bellevue Environmental Services Commission meeting.

Ms. Balducci attended the City's Employees of the Year luncheon and the Crossroads Thanksgiving dinner. She served as marshal of the first Crossroads Cultural Community Parade and attended the Disability Board meeting.

Mr. Degginger attended meetings of Enterprise Seattle and Cascade Water Alliance.

Mr. Chelminiak attended meetings of the Eastside Transportation Partnership, Prosperity Partnership, Probation Board, and Disability Board.

Deputy Mayor Noble attended meetings of the Puget Sound Regional Council (PSRC) Transportation Policy Board, Eastside Transportation Partnership, and Eastside Human Services Forum. Mayor Marshall expressed her disappointment in PSRC's position to advocate eliminating Sound Transit subarea equity provisions.

Mayor Marshall congratulated Bellevue High School for winning its fourth consecutive state Class 3A football title.

At 8:03 p.m., Mayor Marshall declared recess to the Regular Session.

Myrna L. Basich  
City Clerk

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